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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 CAB-02 CIAE-00 COME-00
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FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 8451
INFO AMEMBASSY LUXEMBOURG

S E C R E T REYKJAVIK 0738

E.O. 11652: GDS
TAGS: BEXP, IC, LU
SUBJECT: POSSIBILITY OF SEABOARD WORLD AIRLINES REOPENING
OPERATIONS IN LUXEMBOURG

REF: LUXEMBOURG 568

1. REOPENING OF SEABOARD WORLD AIRLINES OPERATIONS IN LUXEMBOURG IN DIRECT COMPETITION WITH LOFTLEIDIR (ICELANDIC AIRLINES) COULD INTRODUCE POTENTIALLY VERY SERIOUS ELEMENT IN US-ICELANDIC RELATIONS. LOFTLEIDIR IS SYMBOL OF ICELANDIC INDEPENDENCE AND, AS SUCH, IS SOURCE OF NATIONAL PRIDE. IT IS ALSO COUNTRY'S PRINCIPAL FOREIGN EXCHANGE EARNER, AND LARGEST PRIVATE EMPLOYER. THUS, ALTHOUGH LOFTLEIDIR IS PRIVATE CONCERN, IT IS CLEARLY IDENTIFIED WITH ICELANDIC NATIONAL INTERESTS. FOR PAST THREE DECADES USG HAS GIVEN SPECIAL ATTENTION TO ICELANDIC VIEWS CONCERNING LOFTLEIDIR IN LIGHT OF HIGHLY IMPORTANT U.S. STRATEGIC INTERESTS CONCERNING ICELAND.

2. USG ENDORSEMENT OF SEABOARD PROPOSAL WOULD THEREFORE BE REGARDED BY ICELANDERS AS REVERSAL OF PREVIOUS US COOPERATIVE ATTITUDE IN BILATERAL AIR TRAFFIC MATTERS AND AS DIRECT THREAT TO ICELAND'S ACCESS THROUGH ITS
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OWN CARRIER TO OUTSIDE WORLD. AS RESULT, WE COULD EXPECT SHARP NEGATIVE IMPACT ON US-ICELANDIC RELATIONS POSSIBLY IN OTHER AREAS OF IMPORTANT TO US. IF CAB WERE TO APPROVE SEABOARD PROPOSAL, GOI WOULD BE FACED WITH HOBSON'S CHOICE OF EITHER PROPPING UP GREATLY REDUCED TRANSATLANTIC SERVICE BY LOFTLEIDIR WITH HEAVY FINANCIAL SUBSIDIES AT TIME WHEN NATIONAL BUD-

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GET AND ECONOMY IN GENERAL ARE ALREADY BADLY OVER-EXTENDED OR OF ALLOWING MAJOR NATIONAL SYMBOL AND A KEY MAINSTAY OF COUNTRY'S ECONOMY TO GO OUT OF BUSINESS.

3. ALSO, IF SEABOARD PROPOSAL WERE IMPLEMENTED IT WOULD STRIKE FATAL BLOW TO CARGOLUX WHICH RECENTLY PURCHASED CARGO-CONFIGURED 747 AND IN WHICH ICELAND HAS 33 PERCENT INTEREST.

4. EMBASSY REALIZES THAT SEABOARD PROPOSAL IS PROBABLY IN ITS EARLIEST STAGE. HOWEVER, BEFORE ANY FINAL DECISION IS MADE BY CAB, WE URGE THAT POTENTIAL IMPACT ON US-ICELANDIC RELATIONS BE KEPT CLEARLY IN MIND AND BE GIVEN FULL CONSIDERATION. WE WILL APPREICATE ANY ADDITIONAL INFO EMBASSY LUXEMBOURG MAY OBTAIN RE GOL ATTITUDE TOWARD SEABOARD REQUEST.
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